Manitoba

Annual Report 1986 - 87

The Manitoba Beef Commission

Manitoba

Minister of Agriculture

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

To The Lieutenant-Governor for
the Province of Manitoba

Your Honour:

I have the honour to submit herewith the report of the Manitoba Beef Commission for the period April 1, 1986 to March 31, 1987.

Your obedient servant,

L. E. Harapiak

Leonard Harapiak,
Minister of Agriculture.

November 27, 1987

MANITOBA BEEF COMMISSION
1135-444 St. Mary Ave. Winnipeg, Manitoba R3C 3T1
Phone: (204) 945-4161

November 27, 1987

The Honourable Leonard Harapiak
Minister of Agriculture
Room 165 Legislative Building
Winnipeg, Manitoba

Dear Sir:

I have the honour of presenting herewith the 5th Annual Report of the Manitoba Beef Commission for the 12 month period ending March 31, 1987, accompanied by the Audited Financial Report for the same period.

Respectfully submitted,

Rudy Usick.

Rudy Usick,
Chairman,
Manitoba Beef Commission.

The Manitoba Beef Commission

Board of Directors

Left to Right

Jim Chegwin
Director
Swan River

George Geisel
Director
Ochre River

Magnus Anderson
Director
Riverton

Virginia Mariash
Director
Beausejour

Dennis Trinder
Vice-Chairman
Russell

Rudy Usick
Chairman
Erickson

Clare Geddes
2nd Vice Chairman
Pilot Mound

Background

On April 1, 1982, the Minister of Agriculture announced funding for a major beef stabilization and marketing plan for Manitoba. The Manitoba Beef Commission, with the subsequent activities detailed in this report is the result of that commitment.

Objectives

1. To enhance the economic viability of beef producers in Manitoba through the strengthening, expansion and unification of the total beef industry within the Province. The Commission believes a viable beef industry includes:
   (a) primary producers
   (b) the country auction system
   (c) custom feedlots and
   (d) the packing house industry.
2. To develop and administer a stabilization insurance fund which provides economic stability and operating confidence to the primary beef producer allowing for long term planning.
3. To develop and administer an orderly marketing system which strengthens the producer's position and provides greater efficiencies in the price determination and procurement process.
4. To assist and encourage the retention, growing, finishing and processing of a greater number of Manitoba produced calves in Manitoba through financial and technical assistance.

The Concept

The principles involved:

- an on-going plan, with provision to join or opt out at any time
- stablilization on three classifications: calves, feeders and slaughter
- three levels of support to choose from in each classification
- jointly funded by the province and producers, with provision to blend into a federal plan
- slaughter animals to be marketed through the central desk concept, with prices determined on a 'pooled' basis
- administration by a Beef Commission operating independently, but in close cooperation with Manitoba Agriculture support services
- additional financial aid plans such as cash advances, feeding loans, or facility improvement loans, to complement and aid the industry.

The Commission

In September, 1982, the Manitoba Beef Commission was created by Regulation 186/82 under the Natural Products Marketing Act. The purpose of the Commission is to administer a provincial stabilization and marketing plan. A seven member producer Board of Directors was appointed to develop, implement and administer the Stabilization and Marketing Plan. The activities of the Board and Commission are under the supervision of the Manitoba Natural Products Marketing Council.

During the fiscal year 1986-87, the Board held 13 regular board meetings, nine producer information meetings at various country points, and one meeting with the Saskatchewan Beef Stabilization Board. A three member Review Committee was established to review and make recommendations on all client situations which fall outside normal operating policies. This committee scrutinized such cases in detail, with their recommendations presented at a regular Directors' meeting for ratification. The committee held eight regular meetings.

The Stabilization Plan

The support level in the Manitoba Beef Plan reflects producer costs. The formula, while not a cost-of-production budget, effectively measures changes that occur in the cost of production.

In September 1986, due to the increasing deficit in the Beef Commission's Stabilization Fund, which in turn required unacceptably high premiums, the commission offered an adjusted level in support and producer premiums.

Contract holders were given the option to accept a lowering of Support Levels by $7.50/cwt. liveweight across all levels and classifications, with a lowering of Producer Premiums (Alternative I), or to maintain support levels at current levels with a corresponding increase in Producer Premiums (Alternative II).

Eighty-eight percent of all contract holders chose Alternative I.

For the year 1986/87 the following support and premium levels were in effect:

January 1, 1986 — June 30, 1986

	Level I		Level II		Level III	
	Liveweight	Dressed	Liveweight	Dressed	Liveweight	Dressed
Slaughter Animals						
Support	$88.74	($154.33)	$92.05	($160.09)	$94.28	($163.97)
Producer Premium	8%		10%		12%	
Calves						
Support	$89.14		$94.70		$100.27	
Producer Premium	4%		5.5%		8%	
Yearlings						
Support	$83.26		$88.80		$92.12	
Producer Premium	4%		6%		9%	

July 1, 1986 — August 30, 1986

Slaughter Animals						
Support	$85.27	($148.30)	$88.45	($153.83)	$90.59	($157.55)
Producer Premium	8%		10%		12%	
Calves						
Support	$86.70		$92.11		$97.52	
Producer Premium	4%		5.5%		8%	
Yearlings						
Support	$80.45		$85.80		$89.01	
Producer Premium	4%		6%		9%	

September 1, 1986 — December 31, 1986

Alternative I	Level I		Level II		Level III	
Slaughter Animals						
Support	$77.77	($135.25)	$80.95	($140.78)	$83.09	($144.50)
Producer Premium	5.5%		6.5%		8%	
Calves						
Support	$79.20		$84.61		$90.02	
Producer Premium	3%		4%		6%	
Yearlings						
Support	$72.95		$78.30		$81.51	
Producer Premium	3%		4%		6%	
Alternative II						
Slaughter Animals						
Support	$85.27	($148.30)	$88.45	($153.83)	$90.59	($157.55)
Producer Premium	15.8%		16.8%		18.3%	
Calves						
Support	$86.70		$92.11		$97.52	
Producer Premium	6%		10%		15.4%	
Yearlings						
Support	$80.45		$85.80		$89.01	
Producer Premium	6%		10%		15.4%	

January 1, 1987 — June 30, 1987

Alternative I

	Level I		Level II		Level III	
	Liveweight	Dressed	Liveweight	Dressed	Liveweight	Dressed
Slaughter Animals						
Support	$76.34	($132.77)	$79.46	($138.19)	$81.56	($141.84)
Producer Premium	5.5%		6.5%		8%	
Calves						
Support	$79.03		$84.42		$89.82	
Producer Premium	3%		4%		6%	
Yearlings						
Support	$72.25		$77.55		$80.73	
Producer Premium	3%		4%		6%	

Alternative II

Slaughter Animals						
Support	$83.70	($145.57)	$86.82	($150.99)	$88.92	($154.64)
Producer Premium	15.8%		16.8%		18.3%	
Calves						
Support	$86.51		$91.91		$97.31	
Producer Premium	6%		10%		15.4%	
Yearlings						
Support	$79.68		$84.98		$88.16	
Producer Premium	6%		10%		15.4%	

Producers are rewarded for quality and quantity by the price received from the market place. Stabilization payments are based on the number of pounds produced and marketed. Both these concepts serve as an incentive for producers to produce a quality product at optimum efficiency.

Participation

Prior to the fiscal year under review, the commission had accepted 4,922 contracts registering 265,215 cows. During the year, 63 new contracts were received and 224 terminations were processed.

At the year end, the Commission was operating with 4,761 active contracts registering a basic cow herd of 257,951 head.

Operating Details

Slaughter cattle were pooled on a weekly basis by sex, grade and weight classification. The pooled price determines the settlement price to the producer, with the A1 and A2 pooled steer price determining the amount of stabilization to be paid. Any stabilization to be paid on slaughter cattle was included in the producer settlement cheque.

Unfinished cattle were marketed at a place and method of the producer's choice providing:

(a) the settlement cheque was made out in the name of the commission and routed through the commission, and

(b) the settlement statement clearly indicated the price and total value supported by bonafide weigh slips from a recognized livestock scale.

The commission paid producer settlements on the basis of selling price less producer premiums. Stabilization payments were made in the month following the date of sale, after the monthly average price had determined the rate of stabilization.

The support level initially set for the three classifications of stabilized animals was relative to the twelve cost of production indicators listed in the contract and the prevailing market prices. Built into the plan

is a provision for the support level to be reviewed twice yearly (January 1st and July 1st). Producer premiums may be adjusted as required.

The amount of stabilization to be paid was determined as follows:

- **For Slaughter Animals** — the difference between the weekly 'pool' price for A1 and A2 steers in the standard weight category, and the support level.
- **For Feeders** — the difference between the monthly average price for large frame lean feeder steers over 600 lbs., and the support level.
- **For Calves** — the difference between the monthly average price for good stock steer calves in the 400 to 600 lbs. weight range, and the support level.

Finished Cattle Marketings

The 1986/87 fiscal year was the fourth year of M.B.C. Central Desk Marketing. During this period, 93,200 slaughter cattle were marketed (1,445 head were sold on live-weight basis), representing a 9.5 percent increase in volume over the previous fiscal year. Earned marketing fees amounted to $324,938, involving 5,936 sales transactions totalling $64,988,000 in market value.

Purchasers of M.B.C. slaughter cattle included all five federally inspected packinghouses in Manitoba, one wholesale purveyor and 12 provincially inspected rural abattoirs.

Final grading results on 89,905 steers and heifers were:

- A grades — 82,604 head or 91.88%
- B grades — 6,528 head or 7.26%
- C grades — 773 head or .86%

There were also 1,610 cows grading D1-5 and 240 bulls grading E1-2.

Unfinished Marketings

The Commission stabilized 85,169 head of unfinished cattle under the calf and feeder cattle section of the stabilization plan. Recognizing the loss to the provincial economy when unfinished animals are marketed and moved out of the province, the commission continued to encourage 'One Owner Finishing.' A promotional effort was made during September to:

(a) demonstrate the benefit of marketing a finished product, and

(b) to inform producers of assistance available to overcome any obstacles in doing so.

Manitoba Agricultural Credit Corporation

To maintain on-farm cash flow during the transitional period from marketing calves to that of finished animals, the Manitoba Agricultural Credit Corporation (M.A.C.C.) provided short term cash advances or custom feeding loans. While M.A.C.C. provided the funds and administered this aspect of the program, the Beef Commission cooperated in the repayment process by forwarding the proceeds to M.A.C.C. when the cattle were marketed.

From start-up date to March 31, 1987, 1,047 such loans were issued totalling $16.4 million, covering approximately 48,000 head of cattle. During the same period, 741 of these loans had been repaid in the amount of $10.9 million.

Manitoba

The Manitoba Beef Commission

Report of the Provincial Auditor's Office

We have examined the financial statements, being Exhibits A, B, C, D, E and F, of the Manitoba Beef Commission for the fiscal year ended March 31, 1987. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1987 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

July 16, 1987,
Winnipeg, Manitoba

F.H. Jackson, CA,
Provincial Auditor.

Exhibit A
The Manitoba Beef Commission

Balance Sheet

as at March 31, 1987

Assets	1987	1986
Current assets:		
Funds on deposit with the Minister of Finance and in bank	$ 3,857,190	$ (178,374)
Term deposit with the Minister of Finance	2,500,000	3,500,000
Accounts receivable:		
Packers and auction marts	927,707	1,181,636
Producers, less allowance for doubtful accounts (Note 3)	356,453	308,891
Inventory	52,754	25,396
	$ 7,694,104	$ 4,837,549

Liabilities and Fund Account Balances		
Current liabilities:		
Accounts payable:		
Producers	$ 1,940,499	$ 2,826,220
Government of the Province of Manitoba	47,312	123,919
Trade accounts	77,690	71,580
	2,065,501	3,021,719
Advance from the Government of the Province of Manitoba (Note 4)	33,500,000	29,000,000
	35,565,501	32,021,719
Fund account balances:		
Stabilization Fund Account (Deficit), Exhibit C	(28,031,230)	(27,249,149)
Administration Fund Account, Exhibit E	159,833	64,979
	(27,871,397)	(27,184,170)
	$ 7,694,104	$ 4,837,549

Approved by:

Rudy Usick. Chairperson

Dennis Trimicke Director

Exhibit B
The Manitoba Beef Commission

Producer Fund Account Statement of Operations

	For the year ended March 31, 1987			For the year ended March 31, 1986		
	Finished Cattle	Unfinished Cattle	Total	Finished Cattle	Unfinished Cattle	Total
Revenue:						
Proceeds on sale of cattle	$64,216,366	$46,624,038	$110,840,404	$65,590,950	$42,492,022	$108,082,972
Packer, auction mart, insurance claims and miscellaneous	22,075	5,566	27,641	35,209	10,544	45,753
Live sale expenses from Administration Fund Account, Exhibit E	—	—	—	5,963	—	5,963
Net pool adjustments from Administration Fund Account, Exhibit E	2,163	(3)	2,160	(37)	(12)	(49)
Total revenue	$64,240,604	$46,629,601	$110,870,205	$65,632,085	$42,502,554	$108,134,639
Distribution:						
Assessments:						
Producer premiums, Exhibit C	$ 6,562,461	$ 3,123,479	$ 9,685,940	$ 6,590,192	$ 3,262,912	$ 9,853,104
Marketing fees, Exhibit E	324,938	—	324,938	331,738	—	331,738
	6,887,399	3,123,479	10,010,878	6,921,930	3,262,912	10,184,842
Direct charges:						
Assembly fees, etc.	56,216	976	57,192	62,480	—	62,480
Freight	16,290	119	16,409	7,697	186	7,883
Insurance	1,118	3,600	4,718	652	4,176	4,828
	73,624	4,695	78,319	70,829	4,362	75,191
Producer settlements	57,279,581	43,501,427	100,781,008	58,639,326	39,235,280	97,874,606
Total distribution	$64,240,604	$46,629,601	$110,870,205	$65,632,085	$42,502,554	$108,134,639

Exhibit C
The Manitoba Beef Commission

Stabilization Fund Account
Statement of Revenue and Expenditure and Deficit

for the year ended March 31, 1987

	1987	1986
Revenue:		
Producer premiums		
Producer Fund Account, Exhibit B	$ 9,685,940	$ 9,853,104
Direct from producers	168,878	18,464
	9,854,818	9,871,568
Federal Agricultural Stabilization	—	709,378
Provincial premium contributions	2,042,370	1,988,445
Recovery of stabilization payments (Note 5)	588,764	289,368
Total revenue	$ 12,485,952	$ 12,858,759
Expenditure:		
Stabilization payments	$ 12,952,711	$ 24,256,029
Bad debt expense	315,322	99,167
Total expenditure	$ 13,268,033	$ 24,355,196
Excess of Expenditure over Revenue	782,081	11,496,437
Deficit, beginning of year	27,249,149	15,752,712
Deficit, end of year, Exhibit A	$ 28,031,230	$ 27,249,149

Exhibit D
The Manitoba Beef Commission

Productivity Enhancement Grant Fund Account
Statement of Operations

for the year ended March 31, 1987

	1987	1986
Recoveries of grants from producers	$ 214,930	$ 272,005
Less: Bad debt expense	160,096	99,132
	$ 54,834	$ 172,873
Distribution:		
Government of the Province of Manitoba	$ 54,834	$ 172,873

Exhibit E
The Manitoba Beef Commission

Administration Fund Account
Statement of Revenue and Expenditure and Fund Account Balance

for the year ended March 31, 1987

	1987	1986
Revenue:		
Grant — Government of the Province of Manitoba	$ 267,600	$ —
Interest	341,627	368,335
Marketing fees, Exhibit B	324,938	331,738
Producer penalty	28,207	—
Recovery of provincial premium contributions on cancellation of producers' contracts (Note 7)	103,865	55,075
Purchase trading, Exhibit F (Note 8)	36,612	—
Total revenue	$ 1,102,849	$ 755,148
Expenditure:		
Advertising and promotion	$ 9,216	$ 12,375
Audit	19,425	17,950
Bank charges	10,795	9,923
Computer services and equipment	205,703	215,575
Computer system review	—	37,500
Directors' fees and expenses	40,699	34,933
Delivery	8,192	8,420
Dues and subscriptions	435	464
Furniture and fixtures	2,826	1,357
Hall rentals	683	969
Health and post-secondary education tax levy	8,023	6,936
Fieldmen expenses	61,744	43,122
Live sale expenses to Producer Fund Account, Exhibit B	—	5,963
Miscellaneous	4,769	1,675
Net pool adjustments to Producer Fund Account, Exhibit B	2,160	(49)
Postage and telephone	28,719	14,750
Printing and stationery	27,781	27,175
Rentals	810	—
Repairs and maintenance	143	309
Salaries and employee benefits	559,417	482,704
Travel	16,454	12,158
Total expenditure	$ 1,007,994	$ 934,209
Excess of Revenue over Expenditure	94,855	(179,061)
Balance, beginning of year	64,979	244,040
Balance, end of year, Exhibit A	$ 159,834	$ 64,979

Exhibit F
The Manitoba Beef Commission

Statement of Purchase Trading Revenue and Expenditure

for the year ended March 31, 1987

	1987
Revenue:	
Proceeds on sale of cattle	$ 471,900
Packer, insurance claims	700
Total revenue	472,600
Direct Expenditure:	
Cattle purchases	$ 413,231
Freight	15,344
Yardage, feed and commission	6,776
Insurance and grading	637
Total direct expenditure	435,988
Excess of revenue over direct expenditure, Exhibit E	$ 36,612

The Manitoba Beef Commission

Notes to Financial Statements

for the year ended March 31, 1987

1. **Status of the Commission**
The Manitoba Beef Commission was established on September 1, 1982 by regulation under the Natural Products Marketing Act, to administer regulations respecting the marketing of beef.

The Commission has administrative responsibility for the following:

a) The Manitoba Beef Marketing Plan was established September 1, 1982 by regulation under the Natural Products Marketing Act. The purpose of this plan is to maximize the return to the producers in the marketing of beef.

b) The Manitoba Beef Stabilization Plan was established September 1, 1982 by regulation under the Farm Income Assurance Plans Act. The purpose of this Plan is to improve the income stability of participating beef producers. There was also support for a limited period through payment of a special Productivity Enhancement Grant to producers joining the Plan. In accordance with the regulations, separate accounts were established for these operations.

The Producer Fund Account was established on March 1, 1983 to account for the sales of finished and unfinished cattle marketed under the Manitoba Beef Marketing Plan.

The Stabilization Fund Account was established effective September 1, 1982 for operation of the Manitoba Beef Stabilization Plan. It accounts for the collection of premiums from producers enrolled in the Manitoba Beef Marketing Plan, and from the Province and the stabilization payments to producers.

The Productivity Enhancement Grant Fund Account was established to account for payment of a Productivity Enhancement Grant to each producer joining the Manitoba Beef Marketing Plan up to January 21, 1983.

The Administration Fund Account was established to account for the Commission's administrative, marketing and purchase trading operations.

2. **Significant accounting policies**

a) The financial statements have been prepared on an accrual basis of accounting except for capital acquisitions which are being charged to operations at cost in the year acquired.

b) The Commission maintains separate divisions in its accounts for the activities of the Producer Fund Account, Stabilization Fund Account, Productivity Enhancement Grant Fund Account and the Administration Fund Account. The assets and liabilities of all of the fund accounts are combined on the balance sheet.

The Producer Fund Account and the Productivity Enhancement Grant Fund Account by their nature have nil balances at year end.

c) The Government of the Province of Manitoba pays interest charges on the advances to the Commission and provides office space, certain legal, administrative and field services. These expenses are not reflected in the financial statements.

3. **Accounts receivable — producers**

The accounts receivable from producers consists of:

	1987	1986
Stabilization payments recoverable	$ 520,395	$ 259,519
Productivity enhancement grants	367,917	299,096
Premiums	153,793	5,989
Other	22,655	3,611
	1,064,760	568,215
Less: Allowance for doubtful accounts	708,307	259,324
	$ 356,453	$ 308,891

4. **Advance from the Government of the Province of Manitoba**

The Government of the Province of Manitoba authorized repayable advances to the Commission of up to $41,600,000 for the purpose of funding the deficit of the Stabilization Fund Account when revenues are not sufficient to pay the producers' stabilization payments under the Manitoba Beef Stabilization Plan. At March 31, 1987 the amount advanced to the Commission was $33,500,000 (1986 — $29,000,000), of which the Commission had drawn $28,554,515 (1986 — $27,028,259) with the balance of $4,945,485 (1986 — $1,971,741) maintained on deposit with the Minister of Finance in a trust account.

Interest charged on the advances by the Department of Finance is paid from an appropriation of the Department of Agriculture in the amount of $3,330,739 in 1987 (1986 — $2,451,852).

5. **Termination of contract**

A producer may terminate his contract with the Commission at any time. Depending upon the balance of the individual producer account, represented by the producer premiums and stabilization payments, termination by a producer before eight full years will result in a partial return of premiums paid or a partial recovery of stabilization deficiency payments.

6. **Productivity Enhancement Grant Fund Account**

The Productivity Enhancement Grant Fund Account was established to account for special grants to producers joining the Manitoba Beef Marketing Plan from inception to January 21, 1983.

The grants are not fully earned by the producers until they have completed four years of enrollment in the Plan. Any recoveries from producers terminating their contracts before the grants are fully earned are repayable to the Province.

7. **Recovery of provincial premium contributions**

The provincial premium contribution portion of the stabilization payments recovered from producers is transferred to the Administration Fund Account. For the year ended March 31, 1987 the recovery of the provincial premium contributions transferred to the Administration Fund Account was $103,865 (1986 — $55,075), which represented a recoverable amount of $182,486 (1986 — $85,616) less bad debt expense of $78,621 (1986 — $30,541).

8. **Purchase trading**

During the year ended March 31, 1987, the Commission purchased cattle from its clients and subsequently sold these animals out of the Province. Direct expenditures on these transactions have been reflected in the Statement of Purchase Trading Revenue and Expenditure. Indirect expenditures related to this program are included in Exhibit E.

9. **Economic dependence**

The Commission is economically dependent on the Government of the Province of Manitoba.